

**January 29, 1998
Memorandum**

To: Members of the Committee on Commerce

From: Hon. John D. Dingell, Ranking Member
Hon. Henry A. Waxman
Hon. Sherrod Brown

Re: Philip Morris Documents on Youth Smoking

Two weeks ago, Rep. Henry A. Waxman released documents from the nation's second largest tobacco company, R.J. Reynolds Tobacco Co., that demonstrated that RJR had targeted children for decades.

New documents our offices have obtained demonstrate that the nation's largest tobacco company, Philip Morris, has also targeted children. The documents are four documents from the 1970s and 1980s. They state that "[t]oday's teenager is tomorrow's potential regular customer," that "the smoking patterns of teenagers are particularly important to Philip Morris," and that "Marlboro's phenomenal growth rate in the past has been attributable in large part to our high market penetration among younger smokers... 15-19 year-olds." One document even postulates that "stimulant use is virtually a mirror image of cigarette use. It almost looks as though stimulants and cigarettes are interchangeable to these kids."

Two of the documents were referred to by the State of Minnesota in the state's opening statement on January 26, 1998, but they were not released by Minnesota and were obtained from independent sources. The four documents do not disclose the full extent of Philip Morris's efforts to target teenagers -- but they do show Philip Morris's views on the importance of the teenage market to the company's economic survival.

There is also recent evidence implicating another major tobacco manufacturer, Lorillard Tobacco Co., the manufacturer of Newport cigarettes. According to a document quoted by Minnesota in its legislation, a memorandum to the president of Lorillard stated: "The success of Newport has been fantastic during the past few years. The base of our business is the high-school student."

Summary of the Documents

1. Memorandum to Robert B. Seligman from Myron Johnston re "Young Smokers -- Prevalence, Trends, Implications" (Mar 31, 1981)

The first document is an extensive analysis of the smoking habits of teenagers. It was sent to one of the highest ranking officials at Philip Morris, Robert B. Seligman, who was the vice president for research and development.

The memorandum begins with an explanation of the importance of the youth market. The memorandum states:

- "It is important to know as much as possible about teenage smoking patterns and attitudes. Today's teenager is tomorrow's potential regular customer, and the overwhelming majority of smokers first begin to smoke while still in their teens. ... Furthermore, it is during the teenage years that the initial brand choice is made." (p. 1)
- "The smoking patterns of teenagers are particularly important to Philip Morris: the share index is highest in the youngest age group for all Marlboro and Virginia Slims packings." (p. 1)
- "At least a part of the success of Marlboro Red during its most rapid growth period was because it became the brand choice among teenagers who then stuck with it as they grew older." (p. 1, emphasis in original)

The memorandum discusses the trends in teenage smoking. The memorandum reports that "between 1968 and 1974 the number of 12-18 year-olds who smoked ten or more cigarettes per day more than doubled" (p. 1). The memorandum then reports that teen smoking rates began to decline, with potentially serious repercussions for Philip Morris:

- "The prevalence of teenage smoking peaked in 1976-77 and is now declining. ... Beginning in 1985 ... [w]e will no longer be able to rely on a rapidly increasing pool of teenagers from which to replace smokers lost through normal attrition." (pp. 1-2)
- "Because of our high share of the market among the youngest smokers, Philip Morris will suffer more than the other

companies from the decline in the number of teenage smokers." (p. 2)

This memorandum contains a detailed analysis of available data of youth smoking habits. the finding smade by Philip Morris include the following:

- "[T]hose who do smoke are beginning to smoke at earlier ages, particularly the females." (p. 12)
- "[H]igh school dropouts are indeed more likely to smoke than those who complete high school." (p. 12)
- "Among high school seniors, blacks are much less likely to smoke cigarettes than whites. This appears to be a very recent development." (p. 12)
- "High school students in the Northeast... begin to smoke at an earlier age. ... Southerners ... were the latest to begin to smoke." (p. 17)
- "[T]here are now more teenage girls than boys who smoke. ... [T]hese data portend ... an increase in the share of smokers who are female." (p. 19)

The conclusions in the memorandum reiterate the potentially serious consequences for Philip Morris from a reduction in youth smoking rates:

- "The decline in the percent of teenagers who smoke, their decreased levels of consumption, and the decline in their absolute numbers mean that the industry can no longer rely on an ever increasing pool of teenage smokers to replace adult smokers lost through natural attrition." (p. 21)
- "[T]he overall decline in teenage smoking, particularly among males, will undoubtedly have some adverse effect on Marlboro." (p. 21)
- "Because we have our highest share index among the youngest smokers, we will suffer more than the other companies from the decline in the number of teenage smokers." (p. 21)

2. Memorandum to Dr. Al Udow from Myron Johnston, re "Still more on Trends in cigarette Smoking Prevalence" (Feb. 18, 1983)

Two years later, Myron Johnston wrote another memorandum on youth smoking rates. This memorandum reported an "encouraging upward trend" in youth smoking rates. Specifically, the memorandum states:

[T]wo years ago I wrote a memo and gave talks at a Richmond meeting and in New York on trends in smoking prevalence among high school seniors and college freshmen. At that time smoking prevalence was declining at an increasing rate, and that fact, plus the decline in the absolute number of people reaching 18, did not augur well for future cigarette sales.

I have just received data on the graduating class of 1982 and the results are much more encouraging. ... These data are based on surveys conducted each spring among about 20,000 high school seniors near the end of the school year (thuus the overwhelming majority of them will have recently turned 18). ... These data show that smoking prevalence among these 18 year-old high school seniors has increased from 1981 to 1982. (p. 1)

The memorandum then discusses the relationship between cigarettes, marijuana, and stimulant use by teenagers:

What I find intriguing is that marijuana and stimulant use increased as cigarette smoking declined ... and that stimulant use is virtually a mirror image of cigarette usage. It almost looks as though stimulants and cigarettes are interchangeable to these kids (a notion that has some intuitive validity)." (p. 1)

3. Memorandum to R.B. Seligman from Myron Johnston, re "The Decline in the Rate of Growth of Marlboro Red" (May 21, 1975)

The earliest document is a 1975 memorandum to Robert Seligman. This document is important because it clearly acknowledges the role of the teen market in the growth of Marlboro:

[I]n my 1975-1980 Economic forecast ... [i]t was my contention that Marlboro's phenomenal growth rate in the past has been attributable in large part to our high market penetration among younger smokers ... 15-19 year-olds." (p. 1)

The document indicates that Philip Morris tracked Marlboro smokers as young as 15. It states:

It has been well established by the National Tracking Study and other studies that Marlboro has for many years had its

highest market penetration among younger smokers. Most of these studies have been restricted to people age 18 and over. But my own data, which includes younger teenagers, shows even higher Marlboro market penetration among 15-17 year-olds. (p. 1)

Finally, the document again emphasizes the significance of teen smokers to the tobacco industry, stating that "[t]he teenage years are ... important because those are the years during which most smokers begin to smoke, the years in which initial brand selections are made, and the period in the life-cycle in which conformity to peer-group norms is greatest." (p. 1)

4. Memorandum to Jon Zoler from Myron Johnston, re "Smoking among high School Seniors" (Mar. 17, 1988)

The final document is the most recent document. It was written in 1988 and summarizes recent data on smoking rates by high school seniors. The document also postulates that teen smokers are especially price sensitive, because they often have little available cash and have to choose between buying gasoline and cigarettes. Specifically, the memorandum states:

The theory that I put forward in an earlier memo to explain the decline in smoking among high school seniors remains my best guess: That it was caused by the sharp increase in the price of gasoline. In comparing the cumulative smoking incidence of the high school senior males in the classes of 1976 and 1979, I found them to be about the same up to the age of 16, but after the age of 16 (the age at which many of them would have access to a car) the 1979 incidence was substantially below that of 1976. ... When it comes to a choice between smoking cigarettes or cruising around in his car, the average red-blooded teenage American male would probably choose the latter. (p. 2)

Conclusion

The three most popular brands among teenagers are Marlboro, which is manufactured by Philip Morris; Camel, which is manufactured by RJR; and Newport, which is manufactured by Lorillard. In 1993, these three brands had over 85% of the youth market (Marlboro's share was 60.0%; Camel's was 13.3%; and Newport's was 12.7%). The Philip Morris documents - in conjunction with the RJR documents released two weeks ago and the Lorillard documents emerging in the Minnesota litigation -- show that these three brands have achieved their dominance in the youth market not by chance, but as the result of deliberate actions by the manufacturers.

